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STATE OF WISCONSIN
BEFORE THE REAL ESTATE APPRAISERS BOARD

IN THE MATTER OF THE DISCIPLINARY
PROCEEDINGS AGAINST

KARL S. MAY,	FINAL DECISION AND ORDER
RESPONDENT	99 APP 006
	LS9908267APP

The parties to this action for the purposes of Wis. Stats. sec. 227.53 are:

*Karl S. May
19 North 3rd Avenue
Sturgeon Bay, WI 54235*

*Bureau of Business and Design Professions
Real Estate Appraisers Board
P.O. Box 8935
Madison, WI 53708-8935*

*Department of Regulation and Licensing
Division of Enforcement
P.O. Box 8935
Madison, WI 53708-8935*

The State of Wisconsin, Real Estate Appraisers Board, having considered the Stipulation Agreement Annexed-hereto of the parties, in resolution of the captioned-matter makes the following:

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED pursuant to jurisdiction and authority granted to the Board, in Ch. 458, Wis. Stats., and sec. RL 86.01, Wis. Adm. Code that the Stipulation Agreement annexed hereto, filed by Complainant’s Attorney, shall be and hereby is incorporated, made and ordered the Final Decision and Order of the State of Wisconsin, Real Estate Appraisers Board.

Let a copy of this Order be served on Respondent by certified mail.

Dated this 26th day of August, 1999.

Paul Vozar

Signature

IN THE MATTER OF THE DISCIPLINARY
PROCEEDINGS AGAINST

KARL S. MAY
RESPONDENT.

STIPULATION
99 APP 006

Respondent Karl S. May (May), and Complainant's Attorney, Henry E. Sanders, Division of Enforcement, having reached agreement for disposition of the captioned-matter, stipulate and agree as follows:

1. Respondent May, of 19 North 3rd Avenue, Sturgeon Bay, Wisconsin, was at all time material to the complaint, certified as a Certified Residential Appraiser, and has been so certified under the provisions of Ch. 458, Wis. Stats., since November 8, 1991.
2. The Stipulation shall be submitted to the Real Estate Appraisers Board (Board) for approval and disposition of the matter. If the terms of the stipulation are not acceptable to the Board, then the parties shall not be bound by any of the provisions of the stipulation.
 - a. This Stipulation is dispositive of Investigative Complaint # 99 APP 006.
3. Respondent has been advised of his right to a public hearing on each and every allegation of the complaint, but hereby freely and voluntarily waives his right to a hearing in this matter, on the condition that all provisions of this Stipulation be acceptable to and approved by the Board.
 - a. Respondent further agrees to waive any appeal of the Board's Final Decision and Order adopting the Stipulation Agreement.
4. The Department received a complaint against Respondent May, from two sisters and their families, for Respondent's performance of an appraisal on a lake cabin, dated October 11, 1998.
5. The property was inherited by four (4) siblings, two (2) sons, and two (2) daughters, equally. One son had sold his share several years ago and built a year-round home across the lake for the subject property. The second son also had purchased a year-round home across the lake, which was also used as a comparable by the Respondent, and was selling his share to the two sisters complainants and their families.
6. All of the owners agreed that in an effort to establish a fair market value for the subject property, both buyers and seller would get an independent appraisal.
7. The sisters/complainants hired a Wisconsin Certified General Appraiser to appraise the property on their behalf who performed an appraisal dated September 17, 1998, which had an estimated market value of one hundred and fifty thousand dollars (\$150,000.00).
8. The brother/seller hired the Respondent to perform an appraisal of the subject property on his behalf, who performed an "appraisal" of the subject property dated October 11, 1998, which arrived at a market value of the subject property of two hundred fifteen thousand dollars (\$215,000.00).
 - a. Respondent's "appraisal" was a mere three (3) page written narrative signed document without any substantiating documentation, Exhibit "A" attached hereto.
9. Complainant's complained succinctly-among other complaints-that Respondent's appraisal was inaccurate and grossly unsubstantiated; the "appraisal" report looked as if it could have been completed by someone without any experience or training, while their appraisal report looked as if it was done by a professional; that the "appraisal" was too subjective; questioned why Respondent did not use the URAR report; why did Respondent use comparables of much higher priced properties across the lake when he could have used a lakefront property only one thousand (1000) yards north of the subject property; why did Respondent not include pictures used as comparables, not inclusive.
10. The Complainants also complained that three of the five comparables cited by Respondent are for year round

homes that are superior to the subject, which is a summer cottage and two of the cited comparables had errors including the date of sale and square footage of a lot, all not inclusive.

11. Respondent responded to the complaint and indicated in pertinent part that:

. . . his client requested the letter appraisal and informed him that at least one other appraisal was done on the property as well as a couple of brokers opinions. The range of value was between \$150,000 and \$200,000.

. . . the format of the appraisal was satisfactory to the need of my client, and at no time before, during, or after the appraisal did he question the contents or value conclusion . . . At the time of the request we talked about the format, and the limited or restricted format was satisfactory to him.

12. Respondent admitted in pertinent part that, "I am well aware of the deficiencies from the USPAP standpoint." The Respondent admitted that:

1. I did not specifically address the fact that the appraisal was for this client only, (even though that was my belief)
2. that it was a Restricted Use Appraisal Report with departures from the standards most notably from the Cost Approach and Income Approach
3. I did not include a list of my qualifications, which may have given me the courtesy of satisfying the needs of the complainant prior to the filing of this action.

I believed that the departure measures were **justifiable and appropriate** due to:

1. Age and condition of the property
2. The Cost Approach as well as the Income Approach most often are not applicable in single family residential properties or the seasonal vacation cottage as was the subject property.

I now realize that **without this language in the appraisal, the reader cannot see most of the reasoning and methodology that was used in the valuation process, and that the report itself cannot stand on its own unless the brevity is explained.**

In recognition of my oversight of pertinent data that should have been included in describing the scope and intended use of the Restricted Use Appraisal report, my attention will be focused to see that this information is furnished when needed in the future.

13. The Respondent indicated that he did not specifically address in his report that the appraisal was for the client only, that the appraisal was a Restricted Use Approach and Income Approach, or that he did not include in the appraisal a list of his qualifications.

14. The Case Advisor/Appraisal Expert assigned to the case reviewed/analyzed the subject appraisal for compliance with USPAP, and after such review, concluded that the appraisal does not conform to USPAP, and cited the following violations:

1. The Respondent did not demonstrate that he is aware of, understands, or correctly employed those recognized methods and techniques that are necessary to produce a credible appraisal (Standard 1).
2. In developing a real property appraisal an appraiser must: be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal (Standard Rule 1-1(a)). Departure from this binding requirement is not permitted. The Respondent rendered appraisal services in a careless or negligent manner and committed a series of errors that, considered individually, may or may not significantly affect the results of an appraisal, but which, when considered in the aggregate, would be misleading (Standards Rule 1-1(c)). Departure from this binding requirement is not permitted.
3. In developing the real property appraisal report the Respondent did not observe the specific appraisal guideline of clearly defining the value being considered and did not observe the appraisal guidelines set forth in Standards Rule 1-2.
4. In developing the real property appraisal report the Respondent did not observe the appraisal guidelines regarding comparable costs and comparable sales data set forth in

Standards Rule 1-4.

5. The written real property appraisal report did not contain sufficient information to enable the person(s) who received or relied on the report to understand it properly (Standards Rule 2-1(b)).

6. In developing the real property appraisal report the Respondent did not state which of the three options, Self-Contained Appraisal Report, Summary Appraisal Report, or Restricted Appraisal Report, he used (Standards Rule 2-2).

7. The written real property appraisal report does not contain a certification, in violation Standards Rule 2-3.

15. By virtue of the above enumerated acts and/or omissions, Respondent is also deemed to have violated Sec. 458.26(3)(c) Wis. Stats., engaged in conduct while practicing as an appraiser which evidences a lack of knowledge or ability to apply professional principles or skills, and violated Sec. 86.01(2), Wis. Adm. Code, . . . all appraisals shall conform to the USPAP . . .

16. Based upon the above and in settlement of these matter, Respondent May, hereby consents and agrees to take and successfully complete a minimum of eight (8) hours of USPAP education, focusing on Lake Frontage appraisal related training and/or report writing and to pay the amount of \$350.00 as part assessment of cost in resolving this matter.

17. The ordered education is to be completed within six (6) months of the effective date of the Board Order, and the ordered education shall not count or be credited toward Respondent's required continuing education; and the \$350.00 part assessment of costs shall be payable by cashier's check or money order made payable to the Department of Regulation and Licensing, and paid at the execution of this stipulation and submitted to the Department's disciplinary monitor:

Theodore Nehring, Monitor

Division of Enforcement

P.O. Box 8935

Madison, WI 53708-8935

18. If Respondent shall fail to take and complete the education as ordered or fail to get written permission from the Board for an extension to complete same, then he shall be considered to be in violation of the Board's Order, and may be subjected to further discipline. Proof of completion of the ordered education shall also be submitted to Ted Nehring, supra.

19. Respondent further agrees that this stipulation agreement may be incorporated into the Board's Final Decision and Order adopting the stipulation agreement.

20. Respondent further agrees that Complainant's attorney Sanders and the Case Advisor assigned to the complaint, may appear at any closed-deliberative meeting of the Board with respect to this stipulation, but those appearances shall be limited solely to clarification, justification, and to statements in support of the stipulation and for no other purpose.

Karl S. May

August 8, 1999

Respondent

Date

Henry E. Sanders

August 19, 1999

Complainant's Attorney

Date